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For the new business universe

OFAC/USA PATRIOT ACT AND ANTI-MONEY LAUNDERING UPDATE SECURITY CONFERENCE

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OFAC/Executive Orders/Sec. 326

- OFAC
- Federal Legislation
- Use of Executive Orders
- Account Opening Issues

OFAC Regulations

- Economic sanctions
 - 10 federal laws, including USA PATRIOT Act
- Applies to all U.S. businesses and citizens
- Applies to provision of services or goods, including financial



Targets of Economic Sanctions

- Countries
- Governmental agencies and officials
- Businesses (for profit and non-profit)
- Individuals
- Groups
 - Taliban since 1999
 - Terrorists since 1996
- Specially Designated Nationals List (“SDN List”)

Specifically Designated Nationals

- Sanctions target not only specific countries and their regimes, but also their parastatal organizations, front companies, high-ranking officials, and other agents worldwide.
- The SDN List includes over 3,500 entities. SDNs include:
 - Specially Designated Global Terrorists (SDGTs)
 - Specially Designated Terrorists (SDTs)
 - Specially Designated Narcotics Traffickers (SDNTs)

Specifically Designated Nationals

(Continued)

- Foreign Terrorist Organizations (FTOs)
- Specially Designated Kingpins (SDNTKs)
- Federal Republic of Yugoslavia Milosevic (FRYM)

Countries and Groups Currently Covered

- The Balkans
- Burma (Myanmar)
- Cuba
- Iran
- Iraq
- Liberia
- Libya



Countries and Groups Currently Covered

- Narcotics
- Non-Proliferation
- North Korea
- Sierra Leone
- Syria
- Sudan
- Taliban (Afghanistan)



Countries and Groups Currently Covered

- Terrorism
- Unita
- Yugoslavia



Actions Required

- Blocking
- Rejecting
- Reporting
- General and Specific Licenses



Penalties

- Civil
- Criminal
 - Up to \$10,000,000 per count for corporations
 - Up to \$5,000,000 per count for individuals
 - Up to 30 years imprisonment
 - Regulatory Examinations
- Lawsuits

After September 11...

Executive Order 13224

- Signed on September 23, 2001
- Issued under IEEPA
- Blocking property and prohibiting transactions with persons who commit, threaten to commit or support terrorism

Executive Order 13224

- New list(s) of Specially Designated Global Terrorists (SDGTs)
 - Includes individuals, front companies and charitable organizations



Transactions Covered

- Virtually all financial transactions
 - Deposit accounts
 - ACH
 - Wire Transfers
 - Loans
 - Letters of Credit
 - Broker/Dealer accounts

Actions to Take

- Manual Review
- Interdict Software Systems
- Watch for all names: account holder, debtor, customer, buyer, seller, originator, recipient, beneficiary, trustee, banks, etc.
- Training

Check

- All current accounts and loans
- New accounts and loans before opening
- Run all newly added names on SDN List against entire database
 - Names can be added at any time
 - Many have been added since 9/11

Name Matches

- False positives
- Due diligence
- Assistance from OFAC
- Notify customer (contrast to SARs)
- Sometimes conflicts with foreign laws

Control Lists

- Different than OFAC
- Provided by regulators to banks
- Report back to regulators
- File SARs



FinCEN Advisories

- April 2002
 - Burma
 - Ukraine
 - Arab Republic of Egypt
 - Grenada
 - Nigeria



USA PATRIOT Act Ramifications

- Financial Institutions
 - e.g. insurance companies, travel agencies, money services, businesses, etc.
 - AML
 - OFAC - Checking as part of Standards for Verification of Customer ID. (Oct. 25, 2002)